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BIOFUELS STATEMENT FOR CAZENOVIA CONFERENCE
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I want to thank you all for inviting me back to this important conference. This is an important gathering because energy policy is arguably the most critical issue facing our nation today, yet it gets surprisingly little attention beyond hand-wringing over the inevitably rising price of oil.

Energy policy has an enormous impact on our economy, our environment and perhaps most importantly, our security; it's hard to think of an area of public policy that is more far-reaching in its consequences – or an area in which we're missing more opportunities.

I'll talk more about those missed opportunities during my keynote address at lunch, but my topic now is biofuels, an aspect of energy policy in which we are taking at least some sensible steps.

And we need to take those steps because biofuels should become a significant part of the U.S. fuel mix. Biofuels hold out the possibility of displacing imported oil with home-grown, non-polluting fuels that will give a boost to our rural communities – including those here in upstate New York.

How important could biofuels be? Well, transportation accounts for two-thirds of U.S. oil consumption, and we import almost 60 percent of the oil we use. So, the only ways we can do anything at all consequential to reduce our "addiction" to oil are to develop alternative fuels for transportation or to limit the amount of fuel we consume for transportation, or, most sensibly, both. And biofuels are the alternative fuels for transportation.

And better yet biofuels can also help us address climate change. The transportation sector is responsible for one-fifth of U.S. carbon dioxide emissions. Every day, cars and trucks release into the atmosphere millions of tons of carbon that had been sequestered underground for eons in petroleum. Burning biofuels emits carbon dioxide, too, but with a difference.

As plants grow, they absorb carbon dioxide from the atmosphere. Even though burning plant-based fuel emits carbon dioxide, that is balanced out by the carbon dioxide being absorbed by the next crop of plants. Burning biofuels produces no net increase in carbon dioxide in the atmosphere because, unlike oil, we can, in effect, immediately create the plants again, sequestering the carbon dioxide.

So biofuels have enormous benefits, and their potential market share is enormous as well. A recent study by the U.S. departments of Energy and Agriculture estimated that with aggressive technology developments, biofuels could end up displacing 30 percent of current U.S. gasoline consumption without affecting food production. That would be a stunning improvement in the U.S. energy profile.

Now notice the key words, though, in what I said about the potential of biofuels – and I took those words directly from the documents that lay out the President's Advanced Energy Initiative, which he announced in his State of the Union message and funded in his proposed fiscal 2007 budget. Those key words are "with aggressive technology developments." In other words, biofuels aren't going to reach their potential if we simply continue on our current course – backing the inefficient production of ethanol from corn with government subsidies and mixing small amounts of it with gasoline.

Happily, the Administration understands that, and the President's budget reflects that understanding. The budget request includes a 65 percent increase in funding for biomass research, bringing the total to $150 million a year. The goal of the funding increase is to make ethanol from cellulose cost-competitive with corn-based ethanol by 2012.

Now, we're just at the start of the budget process, so it's not yet clear whether Congress will include that level of funding. But the prospects in the House, at least, are good, and I am doing everything I can to ensure that the funding request becomes a reality.

Then, the next step will be to make sure that any additional research money is being spent in an optimal way. We need to expand the kinds of research the Department of Energy is now funding if we are to make more than incremental improvements in our ability to create biofuels. For example, we should put more funding into basic research on how to engineering microbes that could make the process for producing biofuels far more efficient. Such research should also enable us to produce a wider variety of biofuels (not just ethanol) from a wider variety of plants.

We need research all along the spectrum to take full advantage of biofuels – research in the field and in the laboratory, research that is applied and research that is basic, as well as development and demonstration projects.

Some of that important work will continue to be done here in upstate New York.

For example, at the SUNY Forestry School at Syracuse, there are efforts to try to produce ethanol from a fast-growing willow that grows in relatively poor soil and can be harvested many times. I'm told that these efforts could bring back into production land that, in some cases, hasn't been used productively in decades.

We're also trying to get some biofuel demonstration projects in upstate New York. I was the sponsor of the portion of last year's Energy Act that created new initiatives for biorefinery demonstration projects. One of the projects that is now competing for funding from that initiative is in upstate New York.

New York can benefit greatly from both the production and consumption of biofuels.

So are there any drawbacks to increasing our reliance on biofuels? None that stand up to scrutiny.

It is true that biofuels have less energy content by volume than gasoline does. Every ten gallons of ethanol provides the energy equivalent of four gallons of gasoline. But the fact that ethanol is not a one-to-one substitute for gasoline is hardly a reason not to move forward with what is nonetheless a potent fuel with many other advantages over gasoline.

More seriously, detractors criticize biofuels as being insufficient to meet demand, as being energy inefficient, for contributing to smog, for competing with production of food, and for being hard on the land. But these criticisms, too, fall apart upon examination.

First, let's look at the supply question. That federal study I mentioned earlier estimated that about a billion dry tons of plant material would be needed to displace 30 percent of the petroleum needed for transportation.

The same study concluded that about 1.3 billion tons could be made available. So the 30 percent figure is both realistic and significant.

The next criticism has to do with energy balance or efficiency of ethanol production. Some have claimed that it costs more to grow, ship, and process the corn into ethanol than you can get out of it as a fuel. Now first of all, when we look at the future of biofuels, we're talking about getting fuel from sources other than just corn and producing it through processes that are more efficient than those we currently have.

But even looking at current production, this line of criticism has been largely discredited. Researchers at Argonne and other National Laboratories have shown that studies questioning the value of corn ethanol often have failed to consider important improvements in agricultural techniques, and in many cases ignore the fact that the residue from ethanol production, known as distiller's dry grains, return to the food production system as high-quality animal feed.

Another issue that is sometimes brought up is an increase in evaporation from fuel blends of gasoline and ethanol, and concerns about the resulting smog. Some of our smog problems come from evaporation from fuel tanks at gas stations, and people have pointed out that when ethanol is blended with gasoline, it evaporates more easily. This means the blend carries more of the hazardous ingredients into the air than would come from plain gasoline.

But it turns out that the answer to this problem, to the degree that it is not overcome by pollution control devices on the cars themselves, is actually more ethanol, and not less. A fuel blend of 85 percent ethanol has a much lower emissions profile than a blend of just 10 or 15 percent.

Finally, while it is true that we have to be cautious about how we tend crops to be sure that they are raised in a sustainable way, that is true for all agriculture, not just energy crops. Over the years, we have continued to learn new techniques and technologies that help us better conserve the soil, and we will need to continue to make sure that the proper incentives are in place.

So there is no good reason not to work on improving the production of biofuels and increasing their use. And to do that we need to make the public more aware of their potential.

There are a number of places around the country where ethanol is a routine fuel additive, at the 10 or 15 percent levels, but the fact just isn't publicized. Soon, here in New York, virtually all the gasoline will be blended with ethanol, because another additive that turned out to be a problem in the environment, MTBE, is being phased out.

But we need to do more than that to pave the way toward a truly substantial market for biofuels. For many years now, the federal government has had a variety of incentives in place to encourage the use of ethanol and other renewable fuels, including tax breaks for renewable fuels and incentives to the automobile industry to build fuel-flexible vehicles. We have purchase requirements for the Federal government agencies to buy those flex-fuel vehicles.

But there is still resistance to installing fueling pumps for the higher ethanol content fuel, known as E-85. We have incentives both to build the cars and to buy the fuels, but not too many incentives for people to install pumps that sell it.

So we have lots of cars on the road that can use domestic biofuels. I think that we can look at the possibility of additional incentives, and if necessary, perhaps some requirements, that can push things in the right direction and make some more dedicated biofuels and E85 pumps available.

And not all the effort has to come from Washington, as I am sure those of you following climate policy are well aware. One example of an effort on biofuel at the state level is Governor Pataki's recent Executive Order on biofuels, which is a mixture of purchase requirements for state agencies, grants for design of new biorefineries, and requirements to sell biofuels on the Thruway.

So where does all this leave us? Biofuels are not the complete answer, either to our energy security problem or to the problem of carbon dioxide emissions from transportation. But it is clear that when it comes to jobs, security and the environment, biofuels have a great deal to contribute. In combination with other technologies, biofuels are an important building block to a sustainable energy future. It will continue to take hard work on all of our parts to bring about the changes necessary to build that future, but when I see a strong and committed group like this, I feel that we have a great chance of solving these problems.

Thank you.